

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Investigation by the Department of)	
Telecommunications and Energy into)	
The Costs that Should Be Included)	D.T.E. 03-88F
In Default Rates for Western)	
Massachusetts Electric Company)	

**PETITION TO INTERVENE
ON BEHALF OF CENTRICA NORTH AMERICA**

Direct Energy/Centrica North America ("Centrica") hereby petitions the Department for leave to intervene in the above-captioned proceedings pursuant to G.L. c.30A, § 10(4) and 220 C.M.R. 1.03(1)(b). In support of its Petition, Centrica states the following.

The Investigation

The Department opened this investigation on November 17, 2003 as a follow-on to its April 24, 2003 order in D.T.E. 02-40-B. Investigation into Costs that Should Be Included in Default Service, D.T.E. 03-88, Order Opening Investigation (November 17, 2003) ("Order Opening Investigation"). In D.T.E. 02-40-B, the Department identified certain types of costs that are associated with the provision by the utility of default service, and which are currently included in distribution rates rather than the default service price that results from the utilities' wholesale procurement of electric supply for that service. Those costs include: (1) wholesale costs, such as "the design and implementation of the competitive bidding process, including the evaluation of supplier bids and contract negotiations, and . . . the ongoing administration and execution of

contracts with suppliers, including accounting activities necessary to track payments made to suppliers;” (2) direct retail costs, such as unrecovered bad debt, costs of complying with the Department’s default service regulatory requirements; and (3) costs of complying with the Massachusetts Renewable Portfolio Standard; and (3) indirect retail costs, which are provided currently to all customers, such as the costs of the billing and customer service operations of the utility. Order Opening Investigation at 2-4.

The Department determined that it would require utilities to quantify the wholesale and direct retail costs, and move those costs from distribution rates to the default service price. Order Opening Investigation at 4. The Department also found that indirect retail costs are “related to distribution service, rather than default service, and thus, the associated costs should not be included in the calculation of default service prices.” Id. Each Massachusetts utility has made a filing with the Department purporting to quantify these costs, which will be moved in the manner described above. These proceedings constitute the Department’s investigation of those filings.

Centrica and Its Interest in these Proceedings

Direct Energy/Centrica North America encompasses the North American operations of Centrica plc. Centrica plc is the leading supplier of energy and essential home and highway services for British consumers, employing approximately 30,000 people. Its businesses include energy supply and home services under the British Gas and Scottish Gas brands; automobile services under the AA brand; and telecom services under the British Gas and One.Tel brands. Worldwide, Centrica plc has approximately 44 million customer relationships. For the financial year ended December 31, 2001, Centrica reported sales of approximately £12.6 billion (US \$17.6 billion).

588720_1

Centrica plc entered the North American retail energy market in 2000. Since that time, through both organic growth and acquisitions, Centrica has grown to an enterprise with approximately 3.7 million customer relationships. In the United States, Centrica has become, through its subsidiaries, one of the largest multi-state providers of deregulated energy services, with more than a million customers located in the United States.

Centrica has participated actively in efforts to make the Massachusetts retail market more competitive, including through the design and implementation of default service. Centrica participated in D.T.E. 02-40, filing both initial and reply comments. As a large retail supplier focusing on the under-served residential and small commercial markets, Centrica would be interested in entering the Massachusetts retail electricity market should the structure and regulatory features of that market present an opportunity for Centrica to offer customers real value. The allocation of costs between distribution rates and the default service price is certainly a key regulatory feature of the market and, in that respect, Centrica and its ability to enter and compete in the Massachusetts market may be substantially and specifically affected by these proceedings.

Centrica contends that its unique interests in supplying the mass consumer electric markets in Massachusetts will not be adequately represented by any other party to the proceeding and, thus, requests it be granted full intervenor status pursuant to 220 C.M.R. 1.03(1)(b) so that it may participate, without limitation, in all aspects of the proceedings that remain.

Contact Information

Please forward all correspondence related to the above request to the following parties:

John A. DeTore, Esq.
Christopher H. Kallaher, Esq.
Rubin and Rudman LLP
50 Rowes Wharf
Boston, MA 02110
(617) 330-7000
jdetore@rubinrudman.com
ckallaher@rubinrudman.com

Patrick G. Jeffery
Vice President, Government Affairs
Centrica North America
263 Tresser Blvd
One Stamford Plaza, 9th Floor
Stamford, CT 06901
(203) 564-1565
patrick.jeffery@na.centrica.com

Respectfully submitted,
Centrica North America
By it counsel:

John A. DeTore, Esq.
Christopher H. Kallaher, Esq.
Rubin and Rudman LLP
50 Rowes Wharf
Boston, MA 02110
(617) 330-7000

Dated: March 5, 2004